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SENATE COMMITTEE ON FOREIGN RELATIONS

Introduction

Mr.Chairman, Ranking Member Biden, members of this Committee, I am pleased to have this opportunity to discuss the ongoing reform of the international financial institutions, especially the International Monetary Fund - which I know is of considerable interest to this committee and other members of Congress.

Let me focus my remarks on five issues, with particular emphasis on the last two:

- First, the current outlook for the global economy, including the crisis economies in which the International Financial Institutions (IFIs) have recently been actively involved.

- Second, the case for continued United States support of the IFIs.

- Third, the important steps that the Administration has taken in recent years to strengthen the international financial architecture and the IFIs.

- Fourth, our new agenda for reform at the IMF.

- Fifth, the new framework that we have helped to put in place for concessional support of the poorest countries as part of the enhanced debt relief initiative for the Heavily Indebted Poor Countries – and the urgent need for the United States to play its part in ensuring that this initiative can move forward.

Global Economic Developments

Looking around, I think that nearly everyone would agree that the global economic outlook has improved significantly relative to even a year ago, and certainly to the fall of 1998 when Congress was grappling with the issues of IMF funding and reform in the midst of the Asian financial crisis.

- The Korean economy, which two years ago was in the depths of financial crisis, last year grew by ten percent– and output is now 4 percent higher than it was before the crisis.

- Thailand's economy, which shrank by more than 10 percent in 1998, grew by 5 percent in 1999 and similar growth is expected this year.

- And in Brazil, which just one year ago faced the risk of severe financial instability following a large, unplanned devaluation, output is slightly above its pre-crisis level, and inflation this year is expected to remain in single digits.

Private sector analysts are expecting the economies of Asia, excluding Japan, to grow by more than 6 percent this year. This remarkable turnaround has important implications for the growth and financial stability of the United States and the rest of the world economy. To take just one example, Korean imports are expected to grow by close to 25 percent this year, and import growth is expected to be well into double digits in both Thailand and Indonesia.

In fact, recent private sector forecasts have predicted that every large economy will achieve positive growth next year. The US economy continues to show strong, non-inflationary growth. There are signs of stronger growth in Europe and some moderate improvement in Japan.

Despite these forecasts, it would be a mistake to consider this improving global trend to be inexorable. In a number of emerging market economies, notably Ecuador, financial stability remains elusive. And economic conditions in a number of countries and regions are still fragile. It will be very important to see stronger growth in Europe and Japan going forward to reduce the present imbalance in growth among the G7 economies. And of course, we in the United States must guard against complacency and preserve our hard-won fiscal discipline.

It would be an equally grave error to consider this recovery to have been in any way pre-ordained. The crises in Thailand and elsewhere from mid-1997 onward caused immense instability and economic pain for the countries worst affected. But there is no question that these crises would have been deeper and longer lasting, and the implications for American workers, businesses and farmers and the global financial system as a whole that much more severe, had it not been for the International Financial Institutions – especially the IMF.

The programs that the IMF and the international community as a whole supported in Asia and elsewhere were defined by pragmatism about the nature of the challenge each country faced and were centered on strong macro-economic and structural measures to restore confidence. Certainly, reasonable people can debate whether all of the aspects were correct in every instance.

At the same time, there can now be little dispute that where this broad approach was implemented decisively by national authorities, and where there was large-scale conditioned official support for such an approach, stability and confidence by and large returned, governments were able to relax macro-economic policies relatively quickly and economic growth quite rapidly resumed. Where there was not such a response, as in Russia or initially in Indonesia, outcomes were much less favorable.

The Case for Strong United States Support for the International Financial Institutions

Since the Mexico crisis in 1994 President Clinton has been committed to the project that has come to be called the reform of the international financial architecture – and he has been committed to change at the IFIs as a crucial part of that effort. As we have said many times, the global economy has changed immeasurably since these institutions were founded more than fifty years ago at Bretton Woods, and it is both right and urgent that the IMF and other IFIs change along with it.

As I will discuss in a few moments, we have made some important progress in this area – and we are committed to a deeper set of reforms going forward, particularly at the IMF. But as we work to reform these institutions it is important to recognize the crucial respects in which they defend, protect and enhance America's interests.

Americans and the international community as a whole always – and appropriately – tend to respond to and focus on the problems that one can locate on a map, in places such as Kosovo or East Timor. What we may focus on too little are the things that might help prevent such problems occurring in the future. That is why our support for the IFIs and the strong policies that they promote is so important. Quite simply, they are one of the most effective – and cost-effective – investments we can make in the forward defense of America's core interests.

- Every dollar we contribute to the multilateral development banks leverages more than $45 in official lending, to countries where more than three-quarters of the world's population lives.

- With respect to the IMF, appropriations for the US quota do not result in any net budgetary outlay, yet they can catalyze significant international financial resources when financial crises threaten the financial stability and prosperity of the global economy.

These institutions help promote a more stable world. They can help to promote vital humanitarian objectives. And, let there be no doubt, they promote changes that are central to our nation's economic and commercial future.

Through their programs of lending and advice the IFIs promote open and liberalized markets; transparency and reduced corruption; strengthened property rights and a stable environment for private investment. The United States has 4.5 percent of the world's population, 22 percent of its income. In a very real sense, the future growth in our standard of living will depend a great deal on the growth in our export markets. And that, in turn, will depend a great deal on whether the kinds of development strategies that the IFIs support are successful.

For all these reasons, the IFIs are indispensable. But as we have said many times, that does not mean we have to be satisfied with them as they now are.

The Reform of the International Financial Architecture and the International Financial Institutions

As I described to this Committee last November, the ongoing reform of the global financial architecture has produced some important achievements, including, most recently, the creation of the G20. This grouping, which met for the first time last December, will be a permanent informal mechanism for dialogue on key economic and financial issues among industrial and emerging market economies that collectively will account for more than 80 percent of global GDP.

In addition:

- With the creation of the IMF's Supplementary Reserve Facility, we have changed the terms of the exceptional financial support that the international community provides, working to reduce moral hazard with the application of premium interest rates.

- We have catalyzed a major global effort to reduce national vulnerabilities to crises, with concrete steps to help countries develop stronger national financial systems and improved international surveillance, with increased incentives to pursue sound policies before crisis strikes. These include the incentives embodied in the terms of the new Contingent Credit Line, which has several of the features of the SRF, but was designed to enable the IMF to protect from contagion countries that had already adopted sound policies.

- And we have found new ways to involve the private sector in the resolution of crises - most notably in the cases of Korea and Brazil.

More generally, changing the broad orientation of the IFIs has been an important focus of this Administration and many in Congress in recent years. In this context we have seen important steps forward on a number of fronts, including:

A sea change in transparency and accountability.

This is perhaps most visible in the IMF's new policies on the public release of documents. For example, since last June, in large part as a result of Administration and Congressional urging, there is now a presumption that the full set of program documents considered by the IMF Board - including Letters of Intent - which detail the policy commitments that countries have undertaken as a condition for IMF support will be released. Since June 3, 58 arrangements have been discussed by the Board, and program documents were released in 50 of these cases.

Similarly, all of the multilateral development banks have in place mechanisms for public information disclosure and increased public participation. Increasingly the institutions use their

Internet websites to post a large volume of project information and appraisal documents and other information. At the World Bank, disclosure of the Country Assistance Strategies (CASs), the Bank's key planning document for future lending, is now routine.

New emphases in program content.

We have advocated substantial changes in the scope and nature of the conditionality for IMF and other international official support: to place greater emphasis on the importance of market opening and liberalization of trade; to focus more on the development of the institutions and policies that will allow markets to operate; to take better account of the impact on the poor of economic adjustments; to increase national ownership and participation in reforms; and for the Multilateral Development Banks to place greater weight on environmental, labor and social issues in the design of programs.

For example, as part of its recent IMF program, Indonesia abolished import monopolies for soybeans and wheat; agreed to phase out all non-tariff barriers affecting imports; dissolved all cartels for plywood, cement and paper; removed restrictions on foreign investment in the wholesale and resale trades; and allowed foreign banks to buy domestic ones.

Making good governance a systematic part of IFI operations

We have consistently worked to make governance and effective use of funds a core part of IFI procedures. Most recently, in light of our experience in Russia, we have led the call from the G7 for authoritative and systematic reviews by the IMF and the World Bank to find ways to strengthen safeguards on the use of their funds in all of their lending activities.

More generally, at both the IMF and the World Bank we have worked to strengthen the link between new lending and borrower performance to insure that the resources go to the serious reformers. As a result, the institutions now rely on monitorable criteria on issues including governance, military expenditure review, and anti-corruption efforts to determining new lending levels. Moreover, all of the MDBs have policies and programs in place that are designed to improve governance and eliminate opportunities for corruption - both internally and with borrowing countries.

Progress in areas highlighted by the IMF legislation

With reference to the IMF in particular, on October 1, 1999, Treasury submitted to Congress a major report on IMF reform detailing progress in efforts to increase the IMF's effectiveness in numerous areas such as increased transparency, strengthening of social safety nets, implementation of core labor standards, trade liberalization, promoting good governance, and the environment. This report is available on the Treasury website at: http://www.treas.gov/press/releases/docs/imfrefor.pdf.

In addition, with the active support of Treasury and the United States IMF Executive Director's Office, the IMF cooperated fully in the GAO's preparation of its report on the financial operations of the IMF, which was one of the requirements of the IMF legislation. This report was

completed and transmitted to Congress in September 1999 ("International Monetary Fund: Observations on the IMF's Financial Operations").
Since the submission of the October report on IMF reforms, we have seen further progress in a number of areas, including:

- *Trade.* In its most recent Letter of Intent, published on January 20, Indonesia has pledged to "maintain a liberal trade regime, avoid introducing any new trade barriers, and remove remaining distortionary elements in the trade structure" and to eliminate during the program period "all exemptions to import tariffs (except those which are part of international agreements), and remove all existing non-tariff barriers (except those maintained for health and safety reasons)." Indonesia's government has further pledged to eliminate its import monopoly on rice.

- *Labor and Social Safety Nets.* In Bolivia, the authorities, in consultation with social partners and the International Labor Organization (ILO), intend to introduce a new labor law this year that will both enhance labor flexibility and bring Bolivian labor regulations into line with ILO standards, particularly those regarding equality of treatment among genders and labor safety. The USED/IMF has emphasized, both in the context of Bolivia's program and more broadly, the importance of ensuring that efforts to enhance labor market flexibility should include measures to support workplace representation and strengthen social safety nets

- *Environment.* In recent Article IV discussions with authorities in Laos, the IMF raised the issue of sustainable natural resource management for forestry, water, and agricultural land to prevent over-exploitation. The IMF recommended strengthening the forestry regulatory framework and enforcement as well as a review of logging and export privileges reserved to military-owned enterprises.

In addition, we have fully implemented the fiscal year 1997 Military Audit Legislation. As part of these efforts, following consultations with the U.S. Government and the IMF, the Government of Nigeria reactivated the role of its Auditor General, subjected defense spending to the same accountability standards as other ministries, and committed to consolidate all extra-budgetary military expenditures into the budget. In cases where a country's military audit system does not meet the standards of the legislation, the United States Executive Director has opposed IMF assistance.

In a number of areas we can agree that the IMF has moved some way forward relative to a few years ago. In others, there is a great deal more work left to do. In accordance with this committee's request and interests, let me now turn to our plans for deeper reform.

Building a 21st Century IMF: Our Agenda for Reform

Our plans for reforming the IMF start from a single framing new reality of the global financial system today, that the private sector is the overwhelming source of capital for growth. As we have seen in so many areas – ranging from mortgage finance in industrial countries to building bridges and roads in the developing world – as private capital markets develop, the role of the public sector increasingly shifts from providing finance to providing a framework for strong and sustainable private sector flows.

We believe that the IMF must increasingly reflect that change, with a greater focus on promoting financial stability within countries, a stable flow of capital among them, and rapid recoveries following any financial disruptions.

Reforming the IMF to meet the conditions of a new time will partly be a matter of policies and procedures. It will also and perhaps most crucially be a matter of culture and orientation. In London last December I laid out five core reforms of the IMF's approach in the emerging economies that we believe are necessary.

These are:

1. *A greater focus on promoting the flow of information from governments to markets and investors*.

In a more integrated global capital market, IMF surveillance needs to shift from a focus on collecting and sharing information within the club of nations – to promoting the collection and dissemination of information for investors, markets and the public as a whole. And it needs to pay more attention, not just to the quantity of information disclosed to markets, but also to its quality.

In the context of countries receiving IMF finance, we believe it is appropriate that independent external audits of central banks and other relevant government entities be required and regularly published. We are working to forge a broad international consensus on this point going forward. More generally, we believe that substantial deficiencies in the accuracy and quantity of data that a country discloses should be noted and highlighted by the IMF in the way that more conventional macro-economic deficiencies are highlighted.

In this context, I am glad to report that as a result of United States urging, IMF staff are now working with outside experts to develop new tools for strengthening their safeguards against misuse of IMF funds and to support higher quality auditing and information practices in member countries.

2. Greater attention to financial vulnerability as well as macro-economic fundamentals.

In the wake of recent events, we believe that the IMF needs to focus much more attention on financial vulnerabilities such as those that played such a role in causing the crises in Asia.

This will mean, in particular, a greater focus on the strength of national balance sheets. In this context we believe the IMF should promote a more fully integrated assessment of a country's liquidity and balance sheet. To this end, it should work to incorporate more systematically, in its surveillance, indicators that provide a more meaningful guide to the adequacy of a country's reserves than simply their size relative to imports. Work is already under way at the IMF to explore how this can best be achieved.

By the same token, we believe that the IMF should highlight more clearly the risks of unsustainable exchange rate regimes. The presumption needs to be that countries that are involved with the world capital market should increasingly avoid the "middle ground" of pegged exchange rates with discretionary monetary policies, in favor of either more firmly institutionalized fixed rate regimes or floating.

3. A more strategic financing role that is focused on emergency situations.

International financial institutions, no less than private companies, need to focus on core competencies. Going forward the IMF needs to be more tightly focused in its financial involvement with countries, lending selectively and on short maturities. It can and must be on the front line of the international response to financial crises. It should not be a source of low-cost financing for countries with ready access to private capital, or long-term welfare for countries that cannot break the habit of bad policies.

This suggests a number of core imperatives. Let me just highlight one here: the need for streamlined facilities. In this context we have supported a thorough review by the IMF's members and its management of the myriad lending facilities that have been established over time. One encouraging first step occurred last month, when the IMF Executive Board agreed to eliminate the Buffer Stock Financing Facility and the contingency element of the Compensatory and Contingency Financing Mechanism. But this process must go further.

We believe that a necessary result of the kind of streamlining would be that the IMF would come to rely on a very small number of core instruments for the bulk of its lending. These instruments will also need to be priced appropriately, both relative to each other and relative to alternative, private sources of finance. For example, in this context we believe that it would be appropriate to introduce higher charges for borrowing under standby arrangements, to encourage recourse to alternative sources of funding. The IMF Executive Board will undertake an initial discussion of the broad issues involved in streamlining the IMF's lending tools in March.

4. Greater emphasis on catalyzing market-based solutions.

In a world of global integration and rising private capital flows, the IMF's goal – and the goal of the international community as a whole – must be that a rising number of countries reach the point where it would be unthinkable that they should need the financial support of the IMF, just as it is now unthinkable that the UK or Spain would need it today. By the same token, at times of crisis, in such a world the IMF must have an increasingly important role as a facilitator of more market-based solutions.

In its response to crises, several basic presumptions should now be guiding the IMF's approach with respect to the private sector.

- IMF lending should be a bridge to and from private sector lending not a long-term substitute.

- Official lending along with policy changes can be constructive in helping to restore confidence in situations where a country does have the capacity to repay.

- Where possible, the official sector through its conditionality should support approaches – as in Korea and, more recently, Brazil – that enable creditors to recognize their collective interest in maintaining positions, despite their individual interest in withdrawing funds.

- As we have seen, for example in Ukraine and Pakistan, it will be necessary in some cases for countries to seek to change the profile and structure of their debts to the private sector. Such agreements should have the maximum feasible degree of voluntarism, but they should not fill short-term financing gaps in a way that promises renewed problems down the road.

- In exceptional cases, the IMF should be prepared to provide finance to countries that are in arrears to their private creditors: but only where the country has agreed to a credible adjustment program, is making a good faith effort to reach a collaborative agreement with its creditors, and is focused on a realistic plan for addressing its external financing problems that will be viable over the medium and longer term.

The IMF is currently preparing a report for the International Monetary and Financial Committee (formerly Interim Committee) on the ways in which the broad principles of the G-7 framework for private sector involvement in resolving crises have been implemented – with a view to informing further discussion of these issues going forward.

More broadly, we believe strongly that the IMF should establish a Market Conditions Advisory Group to help it have a deeper knowledge of the private sector and more systematic access to market trends and views.

5. Modernization of the IMF as an institution.

We further believe that if the work of the IMF is to change, the IMF itself may also need to change. Specifically, we believe it should move over time toward both a governing structure that is more representative and a relative allocation of member quotas that reflects the changes under way in the world economy – so that each country's standing and voice are more consistent with its relative economic and financial strength.

We also believe that the IMF should deepen the commitment to transparency that is built into its operations, especially by making the Fund's own financial workings clearer and more comprehensible to the public. In that context I am pleased to note that just last Friday we won IMF Board agreement on quarterly publication of the operational budget – to be renamed the Financial Transactions Plan – with a one quarter lag.

This would also be consistent with the legislative mandate that was enacted in last year's authorization of IMF off-market gold sales. The first such "FTP", covering the period March-May 2000, will be published in August.

<u>Support for Effective Policies in the Poorest Countries</u>

The focus of my remarks has so far has been the IMF's work in emerging market economies. Different issues are posed at the other end of the spectrum, in the poorest countries, which cannot attract significant private capital, and can borrow from the official sector only on concessional terms. In the past year, international concern about the debt problems of these countries has not only spurred action to provide deeper debt relief – but has prompted a transformation in the way in which the World Bank and the IMF operate in these countries more broadly.

The new framework for concessional assistance to the poorest

The underlying premise of the new approach is that rapid, enduring growth and poverty reduction are mutually reinforcing. Just as poverty reduction is not possible without growth, abject poverty and unequal access to economic opportunity can impede growth. Experience shows that countries that fail to educate their children or vaccinate them against diseases do not grow as fast as those that do.

Under the new approach, the World Bank will take the lead and the IMF will have a more tightly focused role in the poorest countries. As a condition for receiving debt relief and new concessional loans, countries are now required not only to have established a solid track record of reform, but they also must produce a forward-looking Poverty Reduction Strategy Paper.

With help from the World Bank, these strategies will clearly define national poverty reduction goals, such as reducing infant mortality and malnutrition, and identify the medium term costs associated with achieving these goals. The IMF will then work with the World Bank to ensure that the design of the macroeconomic framework is consistent with the poverty reduction program.

To symbolize the change in the IMF's role in these countries going forward, the IMF has replaced the Enhanced Structural Adjustment Facility with the Poverty Reduction and Growth Facility. In designing the PRGF, a strong effort was made to incorporate suggestions put forward in past evaluations of the ESAF, many of which echoed concerns that had been expressed by members of Congress.

The new strategy that is embodied in the PRGF has the following key elements:

- A much greater emphasis on enduring growth and poverty reduction as the overarching goal of official support, including concrete targets for the improvement of basic social indicators such as infant mortality and literacy.

- New mechanisms to ensure that programs have a genuine impact on the allocation of resources to core priorities such as basic health and education, and that the additional public funds made available by reducing debt result in additional poverty reduction efforts.

- Strengthened efforts to enhance government accountability and transparency, particularly in their fiscal management, and to encourage civil society participation, and country ownership of reforms.

- An enhanced focus on protecting the poor from the potential short-term negative effects of economic adjustment and reform.

Recent Progress in the Implementation of HIPC

Given the strong interest of many in Congress in this area let me say a little more about the early evidence with regard to the critical issue of translating debt relief into higher social sector spending.

For example:

- Last year, Uganda saved $45 million in debt service under the original HIPC. As a result, expenditures on health and education increased by $55 million. This relief helped the country to double enrollment in primary education in just two years. Under the enhanced HIPC, going forward Uganda is expected to receive an additional $650 million in debt relief in net present value terms.

- In 1999 Bolivia saved $77 million in debt service under the original HIPC, and social sector expenditures increased by more than $100 million. In 2000, Bolivia is expected to receive $85 million in debt service savings, leading to even greater investment in urgently needed services. With the enhanced HIPC, Bolivia's savings will be $850 million greater in net present value terms than they would otherwise have been.

In this effort we are working hard to ensure reasonable balance between, on the one hand, the strong humanitarian case for providing debt relief rapidly and on the other hand, the economic imperative that the right policies are in place so that debt relief is integrated into meaningful growth and poverty reduction.

The need for full funding of HIPC

Mr. Chairman, United States leadership was decisive in last year’s enhancement of the HIPC program and the broader World Bank and IMF reforms it has inspired. With last year’s budget agreement, Congress made it possible for that effort to proceed. But Congressional leadership is needed again this year to fully meet our commitments.

The steps agreed last year will help us to cover roughly one-third of the direct costs to the United States of implementing the enhanced HIPC. But much work remains to do our share, notably with respect to the multilateral HIPC Trust Fund, to which we have yet to make a contribution. Overall, every dollar of our total request will leverage $20 in international debt relief.

The Latin American HIPCs will be especially affected if we fail to ensure that the HIPC Trust Fund is adequately funded. To put it bluntly: if we do not play our part in this area, debt relief for Bolivia, Guyana, Honduras, and Nicaragua will not happen.

There should be no doubt that any delay in funding for this effort will have real consequences. For example:

- Just two weeks ago, Bolivia became the second country to qualify for enhanced HIPC. But it will not see a reduction in its debt payments this year because of the current financing gap in HIPC. Based on very rough estimates, Bolivia could therefore forgo as much as $35 million in debt relief this year, relief that might have been invested in more rapid growth and poverty reduction. If the financing gap is not filled, it will forgo an even greater amount of relief next year, of roughly $110 million, or more than 1 percent of Bolivian GDP.

- Mozambique has recently been hit by heavy rains and flooding that has destroyed crops, left up to one million people homeless and caused at least $70-80 million in damage to date. With a very strong record of market reforms, it has already qualified for HIPC, and it could qualify for enhanced HIPC in a matter of weeks. Under the enhanced terms, it would receive an additional $250 million in relief in present value terms over the next 20 years. But without full funding for the HIPC Trust Fund this additional relief could be delayed, just when the country needs it most.

That is why the President is requesting:

- A supplemental request for the FY2000 budget of $210 million and full authorization for the HIPC Trust Fund, without which qualifying countries such as Bolivia will be left waiting indefinitely for relief.

- Congressional authorization for the IMF to make full use of the earnings on the profits from off-market gold sales. Last year, Congress authorized the use of a portion of those earnings; the remaining 5/14 of those flows needs to be authorized so that the IMF can meet its commitments to debt relief as countries qualify.

- Appropriations for FY 2001 of $225 million for HIPC, comprising $150 million for the HIPC Trust Fund and $75 million to meet the cost of reducing our bilateral loans. To underscore our commitment to seeing this initiative through, the President has also requested $375 million in advance appropriations in FY2001 for these two elements of HIPC.

Mr. Chairman, debt relief for the poorest countries is a global moral imperative. It is also a global economic imperative, at a time when nearly all of the growth in the world's labor force and productivity will be in the developing countries - and their success in a new global economy is going to be important to the success of us all.

The choice we face is a simple one. We can play our full part in making HIPC happen. Or we can leave this initiative under-funded, and risk delay – and even a reversal – of economic reform and poverty reduction efforts in countries that are now working to put their past failures behind them. I hope that Congress will agree with us that the right choice is clear.

Concluding Remarks

Mr. Chairman, in recent weeks we have been talking with IMF members and management with a view to making all of our reform proposals happen. As our global discussions on these issues continue, it will be important to consider not just the role of the IMF, but also the roles of the World Bank and other development institutions and how these institutions relate to each other. We intend to outline our proposals for reforming this aspect of the international financial architecture in the coming weeks in the lead-up to the Spring Meetings of the IMF and World Bank.

Let me conclude with one final thought. In line with the Committee's request, I have focused today on the international financial institutions. But clearly our most important global economic objectives today must be economic growth and helping countries to grow together. And finance is only one important element of achieving that kind of growth.

Another crucial element of successful development – which can only become more important as global integration proceeds – will be economic openness and growth in foreign trade, both for the domestic competition and innovation that it promotes and the greater interconnectedness of economies and economies that it creates.

In that context, granting Permanent Normal Trading Relations status to China as a critical part of its entry to the WTO entry, and passing both the African Growth and Opportunity Act and the Enhanced Caribbean Initiative, will be enormously important in the weeks and months ahead, for America's core interests and for global economic development.

I look forward to working with this Committee and with others in Congress on these and other crucial international priorities going forward. Thank you, I would now welcome any questions that you may have.

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